



# GREAT CANADIAN GAMING CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Month and Nine Month Periods Ended  
September 30, 2011

*As at November 9, 2011*

*(Expressed in millions of Canadian dollars, except for per share information)*

## TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
Basis of Discussion and Analysis.....	1
Non-IFRS Measures.....	1
Forward-Looking Information.....	2
FINANCIAL HIGHLIGHTS .....	3
RECENT DEVELOPMENTS .....	4
CONSOLIDATED RESULTS OF OPERATIONS .....	7
Discussion of Results .....	8
<i>River Rock Casino Resort</i> .....	9
<i>Boulevard Casino</i> .....	11
<i>Vancouver Island Casinos</i> .....	13
<i>Other BC Casinos</i> .....	14
<i>Nova Scotia Casinos</i> .....	16
<i>Great American Casinos</i> .....	17
<i>BC Racinos</i> .....	19
<i>Georgian Downs</i> .....	21
<i>Flamboro Downs</i> .....	22
<i>Corporate &amp; Other</i> .....	23
Discussion of Items Excluded from EBITDA .....	24
CONSOLIDATED QUARTERLY RESULTS TREND .....	26
LIQUIDITY AND CAPITAL RESOURCES .....	27
Financial Position.....	27
Cash Flows .....	28
Capital Resources .....	29
Capital Spending and Development.....	31
Contingencies.....	32
Litigation .....	32
Guarantees and Indemnifications.....	32
Commitments.....	32
Future Cash Requirements .....	32
OTHER FINANCIAL INFORMATION .....	33
SUPPLEMENTAL FINANCIAL INFORMATION .....	38

# GREAT CANADIAN GAMING CORPORATION

## Management's Discussion & Analysis

For the Three Month and Nine Month Period Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

### INTRODUCTION

#### Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, recent developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of November 9, 2011.

This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements for the three month and nine month periods ended September 30, 2011 ("Condensed Financial Statements"). The Condensed Financial Statements are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

#### Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock-based compensation, restructuring and other costs, impairment of long-lived assets, foreign exchange loss (gain) and other, and non-controlling interests. EBITDA is derived from the consolidated statements of earnings, and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company. A reconciliation of EBITDA to shareholders' net earnings under IFRS is shown in the "Consolidated Results of Operations" section in this MD&A.

Adjusted shareholders' net earnings, as defined by the Company, means shareholders' net earnings plus or minus significant items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Significant items of note may vary from time to time and in this MD&A include net losses related to cross-currency interest rate and principal swaps, revenues from River Rock's above-average table hold percentage, restructuring and other expenses, and impairment of long-lived assets. A reconciliation between shareholders' net earnings and adjusted shareholders' net earnings is presented in the "Discussion of Items Excluded from EBITDA" section of this MD&A. Adjusted shareholders' net earnings per share is defined as adjusted shareholders' net earnings divided by the weighted average number of shares outstanding.

The following non-IFRS measures have common definitions in the gaming industry. Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business, however over the short-term, the

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

table drop is subject to shifts in customer behaviour around buying, retaining and cashing-in of casino chips. Table hold is calculated as the table drop plus or minus the net change in casino chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips. Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played. Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines. Slot win is the slot coin-in less amounts cashed out and prizes won by customers. Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period. Slot win percentage is the ratio of slot win divided by slot coin-in.

#### **Forward-Looking Information**

This MD&A contains certain "forward-looking information" or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions that were made by the Company in light of its historical trends and other factors. All information or statements, other than statements of historical fact, are forward-looking information including statements that address expectations, estimates or projections about the future, the Company's strategy for growth, expected future expenditures, costs, operating and financial results and expected impact of future commitments. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties. Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information.

Such factors may include, but are not limited to: terms of operational service agreements with lottery corporations; changes to gaming laws that may impact our operational service agreements; pending, proposed or unanticipated regulatory or policy changes; impact of global liquidity and credit availability; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the risk that systems, procedures and controls may not be adequate to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations claims with respect to some Crown land on which we conduct our operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; and economic uncertainty and financial market volatility.

These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2010 (dated March 17, 2011), and as identified in the Company's disclosure record on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information in documents incorporated by reference speak only as of the date of those documents. Readers are cautioned not to place undue reliance on the forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which they are based will occur. The Company undertakes no obligation to revise forward-looking information to reflect subsequent events or circumstances except as required by law. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this MD&A.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### FINANCIAL HIGHLIGHTS

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	\$ 101.0	\$ 96.3	5%	\$ 292.5	\$ 286.3	2%
EBITDA <sup>(1)</sup>	\$ 38.2	\$ 35.0	9%	\$ 106.9	\$ 101.4	5%
EBITDA as a % of Revenues	37.8%	36.3%		36.5%	35.4%	
Shareholders' net earnings	\$ 7.9	\$ 6.2	27%	\$ 23.9	\$ 21.4	12%
Shareholders' net earnings per common share:						
Basic	\$ 0.10	\$ 0.07		\$ 0.29	\$ 0.26	
Diluted	\$ 0.09	\$ 0.07		\$ 0.28	\$ 0.25	
Total assets				\$ 966.6	\$ 972.9	(1%)
Long-term debt & Derivative liabilities, excluding current portion				\$ 400.5	\$ 393.4	2%

<sup>(1)</sup> EBITDA is a non-IFRS measure and is defined in the Introduction - Non-IFRS measures section of this MD&A. The first nine months of 2011 includes a retrospective reclassification that affects EBITDA, as described in the "Other Financial Information" section of this MD&A.

For the three month period ended September 30, 2011 ("third quarter of 2011"), the Company recorded revenues of \$101.0, a \$4.7 increase from the third quarter of 2010, and EBITDA of \$38.2, a \$3.2 increase from the third quarter of 2010. For the nine month period ended September 30, 2011 ("first nine months of 2011"), the Company recorded revenues of \$292.5, a \$6.2 increase from the first nine months of 2010, and EBITDA of \$106.9, a \$5.5 increase from the first nine months of 2010.

The growth in revenues was primarily due to increases at the both River Rock Casino Resort ("River Rock") and the Other BC Casinos. The increase in River Rock's revenues was primarily due to improvements in table drop, table hold percentage, and slot coin-in at the facility. The 2.7 percentage point increase in River Rock's table hold percentage contributed \$2.1 of the revenue growth in the third quarter of 2011, when compared to the prior year's third quarter. The Company expects River Rock's table hold percentage will revert over time towards its trailing nine quarter average. The increase in the Other BC Casinos' revenues in the third quarter of 2011 was primarily due to a \$0.8 increase from the October 2010 installation of 100 slot machines at the Maple Ridge Community Gaming Centre and \$0.6 of new revenues from the acquisition of Chilliwack Bingo in May 2011.

The increases at River Rock and the Other BC Casinos were partially offset by decreased revenues at the Boulevard Casino ("Boulevard"). The decline at Boulevard was primarily due to both continued disruption caused by construction on provincial highway enhancements adjacent to that facility and proximate competition. This competition included the Company's Maple Ridge Community Gaming Centre.

EBITDA as a percentage of revenues for the third quarter of 2011 was 37.8%, a 1.5 percentage point increase from the third quarter of 2010. This percentage was 36.5% for the first nine months of 2011, a 1.1 percentage point increase from the first nine months of 2010. These improvements can be attributed to the performance of both River Rock and the Other BC Casinos, as well as the benefit of efficiency initiatives implemented across the Company's property portfolio.

Shareholders' net earnings increased by \$1.7 in the third quarter and by \$2.5 in the first nine months of 2011 when compared to the third quarter and first nine months of 2010. These increases were primarily due to improvements in EBITDA and decreases in restructuring and other expenses and impairment of long-lived assets. These improvements were partially offset by increases in foreign exchange and other expenses and amortization.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

#### **RECENT DEVELOPMENTS**

##### ***Changes to Board of Directors and Executive Management***

On September 5, 2011, Mr. Ross J. McLeod, the Company's Chairman and Chief Executive Officer, passed away. On September 6, 2011, the Board of Directors appointed Mr. Rod N. Baker, the Company's President, as Interim Chief Executive Officer. Subsequently, on October 11, 2011, the Board of Directors appointed Mr. Rod N. Baker as the Company's Chief Executive Officer.

On September 29, 2011, Mr. Brian Egli resigned from the Board of Directors due to personal and family reasons. Effective November 10, 2011, Mr. Adrian Thomas retired from the Board of Directors due to health considerations.

##### ***Appointment of new Directors***

Three new Directors were appointed to the Board of Directors on November 10, 2011. These appointments are subject to regulatory approvals.

The first new Director is Mr. Patrick Keenan, a Chartered Accountant, who currently serves as Chairman and Chief Executive Officer of Keewhit Investments Limited. The second new Director is Mr. Neil Baker, a former member of the New York Stock Exchange, who currently is the President of the Ridgeline Corporation. Mr. Neil Baker both owns and possesses voting control over approximately 12% of the Company's outstanding shares. The third new Director is Mr. William Andrew Dimma, a professional engineer, who has served on nearly 100 different charitable and corporate Boards over the past 40 years.

##### ***British Columbia***

###### ***Chilliwack Bingo***

On May 31, 2011, the Company, through its wholly owned subsidiary Chilliwack Gaming Ltd., purchased the assets and undertaking of the Chilliwack Bingo Association ("CBA") for upfront cash consideration of \$10.2. The CBA operated Chilliwack Bingo, a bingo hall located in Chilliwack, British Columbia, whose Bingo Operational Services Agreement ("BOSA") is scheduled for renewal in May 2016. The CBA also owned an approximately five-acre site in Chilliwack, which the Company purchased and intends to utilize for the development of a community gaming centre. The acquisition agreement includes contingent trailing payments, to be paid to the CBA over 20 years, which are dependent on the level of future slot win generated by a future community gaming centre. While there is no maximum contingent future trailing payment, the Company estimates that the undiscounted contingent trailing payments will likely range from \$nil to \$4.0. As at the acquisition date and September 30, 2011, the Company recognized a discounted contingent trailing payment liability of \$0.8 in the "deferred credits, provision and other liabilities" line of the consolidated statement of financial position. As at September 30, 2011, the Company has spent approximately \$2.8 of an estimated \$15.0 to build the community gaming centre and anticipates that it will reach completion during the first quarter of 2013.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

#### *River Rock Casino Resort*

On October 17, 2011, the Company opened its third hotel tower at River Rock. This tower, which adds 193 rooms to the facility's hotel capacity, improves River Rock's appeal for future visitors and enhances its ability to serve as a conference and convention destination. As at September 30, 2011, the Company incurred \$19.0 of an estimated \$24.0 in construction and equipment costs for this project. The remaining costs for this project relate to furnishings and aesthetic enhancements.

During the second quarter of 2011, the Company commenced upgrades to the quality of the offerings at River Rock's first two hotel towers. As at September 30, 2011, the Company has spent approximately \$0.7 of an estimated \$3.2 on this project and anticipates that it will reach completion during the first quarter of 2012.

During the first quarter of 2010, the Company completed several enhancements at River Rock. These enhancements, which had a total cost of \$2.8, optimized the property's ability to accommodate the increased traffic generated by the Canada Line mass transit system that was completed in August 2009.

#### *Boulevard Casino*

The Company anticipates constructing a hotel with approximately 181 rooms, meeting facilities and additional dining options at Boulevard. The intention of this project is to attract a greater number of guests to this facility and take advantage of its location near a major highway running through Metro Vancouver. The Company estimates that the construction of the hotel will commence in the first quarter of 2012, and will reach completion by the fourth quarter of 2013. In addition, the Company is considering concurrent gaming floor renovations and a property rebranding to revitalize the casino area of the property. These property developments and renovations remain subject to British Columbia Lottery Corporation ("BCLC") and municipal approvals. The estimated total capital cost of these projects is \$60.0.

#### *Casino Nanaimo*

During the third quarter of 2011, the Company commenced facility upgrades at Casino Nanaimo. The upgrades include improvements to the exterior of the property, which are intended to increase its overall appeal. As at September 30, 2011, the Company has spent approximately \$0.3 of an estimated \$1.3 on this project and anticipates that it will reach completion during the fourth quarter of 2011.

#### *Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex")*

On October 15, 2010, 100 slot machines commenced operation at the Company's Maple Ridge Community Gaming Centre. In order to facilitate the operation of slots at this temporary facility, the Company committed to \$4.2 on both property enhancements and off-site servicing commitments. As at September 30, 2011, the Company has spent \$1.6 of costs on the temporary facility and incurred \$1.2 of costs toward fulfilling its off-site servicing commitments at the site of the permanent facility.

In addition to the \$1.0 already paid to the Ridge Meadows Bingo Association in connection with the original purchase of this facility, the operation of slots has initiated a total of \$1.3 in trailing purchase payments, to be paid in annual instalments starting in 2010 until 2019. The Company has also invested \$4.7 towards the purchase of land required for a permanent facility in Maple Ridge. The Company anticipates that this permanent facility will reach completion prior to October 2013.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

#### *Hastings Racecourse*

The first five-year term of the Operating Agreement for Hastings Racecourse will expire in November 2012. Discussions with the City of Vancouver around the renewal of this agreement are ongoing. During this period, Hastings Racecourse continues to operate as usual.

#### **Ontario**

During 2009 and 2010, the Company expanded Georgian Downs in order to accommodate an increase in that property's gaming capacity to 1,000 slot machines, which are owned and operated by the Ontario Lottery and Gaming Corporation ("OLG"). To date, the Company has spent approximately \$32.9 of an estimated \$33.6 on this expansion. The remaining costs for the project are associated with service agreements with the municipality that include onsite parking and traffic lights.

#### **Amendment and Extension of Revolving Credit Facility**

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility and Senior Secured Term Loan B. Consequently, the Company's previous undrawn \$200.0 Revolving Credit Facility that was to expire on February 14, 2012 has been increased to a maximum limit of \$350.0 and extended to July 21, 2016. Transaction costs associated with refinancing the Revolving Credit Facility of \$2.7 are included in the "other assets" line of the consolidated statements of financial position and amortized through the "interest and financing costs, net" line of the consolidated statements of earnings over the five-year term.

As a result of this refinancing, on August 4, 2011, the Company entered into novation agreements that transferred the responsibilities for forty percent of the cash flows associated with cross-currency interest rate and principal swaps of our Term Loan B and Senior Subordinated Notes from a former Revolving Credit Facility lender to a continuing Revolving Credit Facility lender. At the time of these transfers, the swaps were in liability positions. Consequently, as described in the "Capital Resources" section of the MD&A, the Company will pay the new swap-counterparty slightly higher Canadian Dollar interest rates in exchange for the U.S. Dollar cash flows required by the swaps. There have been no other changes in the remaining components of the Company's long-term debt and associated cross-currency interest rate and principal swaps.

#### **Normal Course Issuer Bid**

On September 8, 2011, the Company received approval from the TSX to purchase up to an additional 3,844,359 of its common shares. The amended TSX notice authorizes the Company to purchase up to 5,844,359 common shares of the Company from January 27, 2011 to January 26, 2012, or earlier if the number of shares approved for purchase in the issuer bid have been obtained.

For the three months and nine months ended September 30, 2011, the Company purchased 1,479,600 common shares under the current normal course issuer bid at a volume weighted average price of \$7.16. During 2010, no common shares were purchased under the normal course issuer bid.



## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### CONSOLIDATED RESULTS OF OPERATIONS <sup>(1)</sup>

The following table summarizes the consolidated operating results for the three-month and nine-month periods ended September 30, 2011 with comparatives for the prior period.

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 73.7	\$ 70.3	5%	\$ 213.5	\$ 205.7	4%
Facility Development Commission	8.1	7.5	8%	23.5	22.2	6%
Hospitality and other revenues	17.9	16.6	8%	51.5	49.5	4%
Racetrack revenues	5.2	5.3	(2%)	15.1	17.9	(16%)
	<b>104.9</b>	<b>99.7</b>	<b>5%</b>	<b>303.6</b>	<b>295.3</b>	<b>3%</b>
Less: Promotional allowances	(3.9)	(3.4)	15%	(11.1)	(9.0)	23%
<b>Revenues</b>	<b>101.0</b>	<b>96.3</b>	<b>5%</b>	<b>292.5</b>	<b>286.3</b>	<b>2%</b>
Human resources	39.5	38.8	2%	115.8	115.5	0%
Property, marketing and administration	23.3	22.5	4%	69.8	69.4	1%
	<b>62.8</b>	<b>61.3</b>	<b>2%</b>	<b>185.6</b>	<b>184.9</b>	<b>0%</b>
<b>EBITDA</b>	<b>38.2</b>	<b>35.0</b>	<b>9%</b>	<b>106.9</b>	<b>101.4</b>	<b>5%</b>
Human resources as a % of Revenues before Promotional allowances	37.7%	38.9%		38.1%	39.1%	
EBITDA as a % of Revenues	37.8%	36.3%		36.5%	35.4%	
Amortization	14.6	13.1		43.7	40.2	
Stock-based compensation	0.9	0.8		4.3	4.0	
Restructuring and other	-	1.2		(0.3)	1.3	
Impairment of long-lived assets	-	3.2		-	3.2	
Interest and financing costs, net	7.9	7.8		21.8	21.9	
Other expenses	4.3	(0.1)		4.1	0.4	
Income taxes	2.6	2.8		9.4	9.0	
<b>Shareholders' net earnings</b>	<b>\$ 7.9</b>	<b>\$ 6.2</b>	<b>27%</b>	<b>\$ 23.9</b>	<b>\$ 21.4</b>	<b>12%</b>
Shareholders' net earnings per common share:						
Basic	\$ 0.10	\$ 0.07		\$ 0.29	\$ 0.26	
Diluted	\$ 0.09	\$ 0.07		\$ 0.28	\$ 0.25	
Weighted average number of common shares (in thousands):						
Basic	82,523	82,743		82,842	82,587	
Diluted	84,079	84,398		84,454	84,367	

<sup>(1)</sup> The first nine months of 2011 include a retrospective reclassification that affects property, marketing and administration expenses, and restructuring and other costs as described in the "Other Financial Information" section of this MD&A.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

#### Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

#### REVENUES and EBITDA <sup>(1)</sup>

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
<b>REVENUES</b>						
<b>Casinos</b>						
River Rock Casino Resort	\$ 35.5	\$ 31.0	15%	\$ 104.1	\$ 93.7	11%
Boulevard Casino	14.6	15.4	(5%)	43.6	48.2	(10%)
Vancouver Island Casinos	9.9	10.1	(2%)	29.1	30.1	(3%)
Other BC Casinos	3.1	1.6	94%	8.4	4.7	79%
Nova Scotia Casinos	12.0	11.5	4%	32.2	32.1	0%
Great American Casinos	5.3	5.5	(4%)	16.9	16.6	2%
	<b>80.4</b>	<b>75.1</b>	<b>7%</b>	<b>234.3</b>	<b>225.4</b>	<b>4%</b>
<b>Racinos</b>						
BC Racinos	11.5	11.5	0%	32.5	34.7	(6%)
Georgian Downs	4.4	4.5	(2%)	11.9	11.9	0%
Flamboro Downs	4.7	4.8	(2%)	13.7	13.9	(1%)
	<b>20.6</b>	<b>20.8</b>	<b>(1%)</b>	<b>58.1</b>	<b>60.5</b>	<b>(4%)</b>
<b>Corporate &amp; Other</b>	-	0.4	(100%)	0.1	0.4	(75%)
<b>Total Revenues</b>	<b>\$ 101.0</b>	<b>\$ 96.3</b>	<b>5%</b>	<b>\$ 292.5</b>	<b>\$ 286.3</b>	<b>2%</b>
<b>EBITDA</b>						
<b>Casinos</b>						
River Rock Casino Resort	\$ 17.8	\$ 13.9	28%	\$ 51.1	\$ 43.2	18%
Boulevard Casino	5.9	6.6	(11%)	17.7	22.0	(20%)
Vancouver Island Casinos	5.6	6.0	(7%)	16.4	17.8	(8%)
Other BC Casinos	1.2	0.6	100%	3.5	1.6	119%
Nova Scotia Casinos	4.3	3.8	13%	9.1	8.5	7%
Great American Casinos	0.8	0.9	(11%)	3.5	2.3	52%
	<b>35.6</b>	<b>31.8</b>	<b>12%</b>	<b>101.3</b>	<b>95.4</b>	<b>6%</b>
<b>Racinos</b>						
BC Racinos	3.2	3.4	(6%)	8.6	9.1	(5%)
Georgian Downs	2.6	2.4	8%	7.0	6.6	6%
Flamboro Downs	2.2	2.3	(4%)	6.0	6.0	0%
	<b>8.0</b>	<b>8.1</b>	<b>(1%)</b>	<b>21.6</b>	<b>21.7</b>	<b>0%</b>
<b>Corporate &amp; Other</b>	<b>(5.4)</b>	<b>(4.9)</b>	<b>(10%)</b>	<b>(16.0)</b>	<b>(15.7)</b>	<b>(2%)</b>
<b>Total EBITDA</b>	<b>\$ 38.2</b>	<b>\$ 35.0</b>	<b>9%</b>	<b>\$ 106.9</b>	<b>\$ 101.4</b>	<b>5%</b>

<sup>(1)</sup> The first nine months of 2011 include a retrospective reclassification that affects EBITDA as described in the "Other Financial Information" section of this MD&A.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### Casinos

##### *River Rock Casino Resort* <sup>(1)</sup>

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 24.6	\$ 21.2	16%	\$ 71.9	\$ 63.5	13%
Facility Development Commission	3.7	3.1	19%	10.6	9.3	14%
Hospitality and other revenues	8.5	7.9	8%	25.5	24.2	5%
Revenues before Promotional allowances	36.8	32.2	14%	108.0	97.0	11%
Less: Promotional allowances	(1.3)	(1.2)	8%	(3.9)	(3.3)	18%
Revenues	35.5	31.0	15%	104.1	93.7	11%
Human resources	11.7	11.4	3%	34.8	33.2	5%
Property, marketing and administration	6.0	5.7	5%	18.2	17.3	5%
EBITDA	\$ 17.8	\$ 13.9	28%	\$ 51.1	\$ 43.2	18%
Human resources as a % of Revenues before Promotional allowances	31.8%	35.4%		32.2%	34.2%	
EBITDA as a % of Revenues	50.1%	44.8%		49.1%	46.1%	

<sup>(1)</sup> The results of the Racebook at River Rock are included in the results of TBC Teletheatre B.C.

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Average
Table Drop	\$ 175.9	\$ 178.4	\$ 181.3	\$ 176.7	\$ 151.2	\$ 149.4	\$ 160.3	\$ 151.7	\$ 129.0	
Table Hold	\$ 39.2	\$ 39.1	\$ 34.5	\$ 34.4	\$ 29.5	\$ 32.5	\$ 29.8	\$ 30.8	\$ 27.9	
Table Hold %	22.3%	21.9%	19.0%	19.5%	19.6%	21.7%	18.6%	20.3%	21.6%	20.5%
Poker Rake	\$ 1.1	\$ 1.1	\$ 1.2	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.6	\$ 1.4	\$ 1.2	
Slot Coin-In	\$ 490.9	\$ 477.3	\$ 448.2	\$ 448.5	\$ 451.8	\$ 447.9	\$ 434.5	\$ 420.6	\$ 391.7	
Slot Win	\$ 34.1	\$ 34.3	\$ 30.3	\$ 31.6	\$ 32.8	\$ 31.4	\$ 30.7	\$ 28.8	\$ 27.7	
Slot Win/Slot/Day <sup>(2)</sup>	\$ 376	\$ 384	\$ 339	\$ 348	\$ 361	\$ 346	\$ 348	\$ 362	\$ 350	
Slot Win %	6.9%	7.2%	6.8%	7.0%	7.3%	7.0%	7.1%	6.8%	7.1%	7.0%

<sup>(2)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Gaming revenues at River Rock increased by 16% in the third quarter and 13% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due improvements in table drop, table hold percentage, and slot coin-in. This growth in gaming revenues can be primarily attributed to the continued benefit of the redevelopments, enhancements, and associated increase in player demand at River Rock.

Table drop at River Rock increased by 16% in the third quarter of 2011, when compared to the third quarter of 2010. River Rock's table hold percentage during the third quarter of 2011 was 22.3%. This percentage was 2.7 percentage points above the property's table hold percentage during the third quarter of 2010 and 1.8 percentage points above the property's trailing nine quarter average. This improvement in table hold percentage, in combination with the increase in table drop, generated a 33% increase in River Rock's table hold in the third quarter of 2011, when compared to the third quarter of 2010. The improvement in table hold percentage in the third quarter of 2011 contributed \$2.1 toward River Rock's \$4.5 increase in Revenues in this quarter, when compared to the third quarter of 2010.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

River Rock's average daily hotel revenue per available room ("REVPAR") was \$153 dollars in the third quarter of 2011, compared to \$140 dollars in the third quarter of 2010. This increase was due to a 1.3 percentage point increase in the average hotel occupancy rate to 87% and a 6% increase in the average daily room rate ("ADR") to \$176 dollars. The increases in occupancy rate and ADR were primarily due to the increased traffic generated by River Rock's redevelopments.

#### Expenses

Human resources expenses increased by 3% in the third quarter and 5% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to staffing level adjustments required to accommodate increases in visitation, gaming volumes, and hospitality business, as well as both inflationary increases and adjustments to ensure competitive compensation.

Property, marketing and administration expenses increased by 5% in the third quarter and first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to increased marketing and hospitality costs associated with the growth in River Rock's visitation.

#### EBITDA

EBITDA increased by 28% in the third quarter and 18% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These improvements were primarily due to River Rock's revenue increases.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### Boulevard Casino <sup>(1)</sup>

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 11.3	\$ 11.7	(3%)	\$ 33.3	\$ 36.4	(9%)
Facility Development Commission	1.8	2.0	(10%)	5.4	6.0	(10%)
Hospitality and other revenues	2.1	2.1	0%	6.4	6.8	(6%)
Revenues before Promotional allowances	15.2	15.8	(4%)	45.1	49.2	(8%)
Less: Promotional allowances	(0.6)	(0.4)	50%	(1.5)	(1.0)	50%
Revenues	14.6	15.4	(5%)	43.6	48.2	(10%)
Human resources	5.9	6.0	(2%)	17.6	17.8	(1%)
Property, marketing and administration	2.8	2.8	0%	8.3	8.4	(1%)
EBITDA	\$ 5.9	\$ 6.6	(11%)	\$ 17.7	\$ 22.0	(20%)

Human resources as a % of Revenues

before Promotional allowances

38.8% 38.0%

39.0% 36.2%

EBITDA as a % of Revenues

40.4% 42.9%

40.6% 45.6%

<sup>(1)</sup> The results of the Racebook at Boulevard are included in the results of TBC Teletheatre B.C.

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Average
Table Drop	\$ 39.7	\$ 40.3	\$ 39.3	\$ 45.8	\$ 44.8	\$ 47.2	\$ 48.4	\$ 48.5	\$ 52.9	
Table Hold	\$ 8.6	\$ 8.5	\$ 8.7	\$ 8.9	\$ 9.0	\$ 9.7	\$ 9.8	\$ 9.7	\$ 9.8	
Table Hold %	21.7%	21.1%	22.1%	19.4%	20.1%	20.6%	20.2%	20.0%	18.5%	20.3%
Poker Rake	\$ 1.4	\$ 1.0	\$ 1.1	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.2	\$ 1.3	\$ 1.1	
Slot Coin-In	\$ 392.1	\$ 394.4	\$ 372.8	\$ 380.8	\$ 406.8	\$ 424.6	\$ 422.6	\$ 427.2	\$ 418.5	
Slot Win	\$ 27.2	\$ 28.0	\$ 26.5	\$ 27.8	\$ 28.9	\$ 30.8	\$ 29.8	\$ 30.1	\$ 30.0	
Slot Win/Slot/Day <sup>(2)</sup>	\$ 294	\$ 305	\$ 289	\$ 292	\$ 314	\$ 325	\$ 314	\$ 343	\$ 351	
Slot Win %	6.9%	7.1%	7.1%	7.3%	7.1%	7.3%	7.1%	7.0%	7.2%	7.1%

<sup>(2)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Revenues at Boulevard decreased by 5% in the third quarter and 10% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These decreases can be attributed to declines in both table drop and slot coin-in, which decreased by 11% and 4%, respectively. These declines were primarily due to disruption caused by construction on provincial highway enhancements adjacent to the facility. This construction is expected to continue until 2013. Boulevard's revenue declines can also be attributed to a challenging local economy and proximate competition, including the Company's Maple Ridge Community Gaming Centre. The Community Gaming Centre, which introduced slot machines during October of 2010, has accommodated some of those patrons displaced by the disruption surrounding Boulevard.

Promotional allowances increased by \$0.2 in the third quarter and \$0.5 in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases relate to promotional programs intended to increase visitation and gaming volumes at Boulevard.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

#### Expenses

Human resources expenses decreased by 2% in the third quarter and 1% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These decreases were primarily due to staffing level adjustments implemented in response to the reduced gaming volumes, the impact of which was partially offset by both inflationary increases and adjustments to ensure competitive compensation.

#### EBITDA

EBITDA decreased by 11% in the third quarter and 20% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These decreases were primarily due to the declines in Boulevard's revenues.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### Vancouver Island Casinos (View Royal Casino and Casino Nanaimo)

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 8.0	\$ 8.3	(4%)	\$ 23.6	\$ 24.4	(3%)
Facility Development Commission	1.3	1.3	0%	3.9	4.0	(3%)
Hospitality and other revenues	1.0	0.8	25%	2.8	2.5	12%
Revenues before Promotional allowances	10.3	10.4	(1%)	30.3	30.9	(2%)
Less: Promotional allowances	(0.4)	(0.3)	33%	(1.2)	(0.8)	50%
Revenues	9.9	10.1	(2%)	29.1	30.1	(3%)
Human resources	3.0	2.9	3%	8.9	8.6	3%
Property, marketing and administration	1.3	1.2	8%	3.8	3.7	3%
EBITDA	\$ 5.6	\$ 6.0	(7%)	\$ 16.4	\$ 17.8	(8%)
Human resources as a % of Revenues before Promotional allowances	29.1%	27.9%		29.4%	27.8%	
EBITDA as a % of Revenues	56.6%	59.4%		56.4%	59.1%	

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Average
Table Drop	\$ 11.7	\$ 11.7	\$ 12.9	\$ 12.8	\$ 13.7	\$ 13.7	\$ 13.1	\$ 12.6	\$ 13.2	
Table Hold	\$ 2.6	\$ 2.6	\$ 2.8	\$ 2.9	\$ 2.8	\$ 3.1	\$ 2.8	\$ 3.0	\$ 3.1	
Table Hold %	22.2%	22.2%	21.7%	22.7%	20.4%	22.6%	21.4%	23.8%	23.5%	22.3%
Slot Coin-In	\$ 386.6	\$ 394.1	\$ 365.4	\$ 375.3	\$ 379.8	\$ 394.4	\$ 376.8	\$ 384.3	\$ 387.9	
Slot Win	\$ 28.9	\$ 28.8	\$ 27.0	\$ 28.5	\$ 29.1	\$ 29.5	\$ 28.0	\$ 28.5	\$ 29.1	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 311	\$ 318	\$ 293	\$ 309	\$ 324	\$ 321	\$ 326	\$ 322	\$ 351	
Slot Win %	7.5%	7.3%	7.4%	7.6%	7.7%	7.5%	7.4%	7.4%	7.5%	7.5%

#### Revenues

Revenues at the Vancouver Island Casinos decreased by 2% in the third quarter and 3% in the first nine months of 2011, when compared to the same prior periods. These decreases were primarily due to decreases in table drop related to declines in visitation at the View Royal Casino.

#### Expenses

Human resources expenses increased by 3% in the third quarter and first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to increased staffing levels and training intended to improve customer service at the facilities, as well as both inflationary increases and adjustments to ensure competitive compensation.

#### EBITDA

EBITDA decreased by 7% in the third quarter and 8% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These decreases were primarily due to the decline in revenues and the increase in human resources expenses.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

#### **Other BC Casinos (Chances Gaming Entertainment in Dawson Creek, Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex") and Chilliwack Bingo)**

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 2.4	\$ 1.2	100%	\$ 6.3	\$ 3.5	80%
Facility Development Commission	0.4	0.1	300%	1.2	0.3	300%
Hospitality and other revenues	0.4	0.3	33%	1.2	0.9	33%
Revenues before Promotional allowances	3.2	1.6	100%	8.7	4.7	85%
Less: Promotional allowances	(0.1)	-		(0.3)	-	
Revenues	3.1	1.6	94%	8.4	4.7	79%
Human resources	1.2	0.7	71%	3.0	2.0	50%
Property, marketing and administration	0.7	0.3	133%	1.9	1.1	73%
EBITDA	\$ 1.2	\$ 0.6	100%	\$ 3.5	\$ 1.6	119%
Human resources as a % of Revenues						
before Promotional allowances	37.5%	43.8%		34.5%	42.6%	
EBITDA as a % of Revenues	38.7%	37.5%		41.7%	34.0%	

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Average
Slot Coin-In	\$ 102.4	\$ 104.5	\$ 98.4	\$ 95.3	\$ 56.8	\$ 54.9	\$ 51.7	\$ 54.9	\$ 54.7	
Slot Win	\$ 6.9	\$ 7.0	\$ 6.6	\$ 6.1	\$ 3.4	\$ 3.2	\$ 3.0	\$ 3.0	\$ 3.0	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 294	\$ 300	\$ 283	\$ 260	\$ 249	\$ 234	\$ 227	\$ 217	\$ 220	
Slot Win %	6.7%	6.7%	6.7%	6.4%	6.0%	5.8%	5.8%	5.5%	5.5%	6.1%

<sup>(1)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Revenues at the Company's Other BC Casinos increased by 94% in the third quarter and 79% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to both the introduction of 100 slot machines at the Maple Ridge Community Gaming Centre on October 15, 2010 and the acquisition of Chilliwack Bingo on May 31, 2011. The slot machines at Maple Ridge generated new visitation and accommodated some of those patrons displaced by disruption caused by construction on provincial highway enhancements adjacent to the Company's Boulevard Casino, resulting in an increase in revenues at Maple Ridge of \$0.8 in the third quarter of 2011, when compared to the third quarter of 2010. The acquisition of Chilliwack Bingo generated new revenues of \$0.6 in the third quarter of 2011.

#### Expenses

Human resources expenses increased by 71% in the third quarter and 50% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. Property, marketing and administration expenses increased by 133% in the third quarter and 73% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to both increased staffing levels and increased marketing and hospitality costs related to the introduction of slot machines at the Maple Ridge Community Gaming Centre, and the incremental costs associated with the operation of Chilliwack Bingo.



## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

#### EBITDA

EBITDA increased by 100% in the third quarter and 119% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to the introduction of slot machines at the Maple Ridge Community Gaming Centre.

#### Labour Relations

A collective agreement between Chilliwack Gaming Ltd. and National Automobile, Aerospace, Transportation and General Workers Union of Canada, (CAW-Canada), Local 3000, with a term covering January 1, 2010 through December 31, 2011, governs wages and working conditions of employees, except management and those excluded by the Labour Relations Code of BC (the "Code"). Notice to commence collective bargaining was served to the Company on October 4, 2011. Collective bargaining will commence in December 2011.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

#### *Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)*

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 11.3	\$ 11.2	1%	\$ 30.4	\$ 30.7	(1%)
Hospitality and other revenues	1.3	1.0	30%	3.5	3.2	9%
Revenues before Promotional allowances	12.6	12.2	3%	33.9	33.9	0%
Less: Promotional allowances	(0.6)	(0.7)	(14%)	(1.7)	(1.8)	(6%)
Revenues	12.0	11.5	4%	32.2	32.1	0%
Human resources	4.2	4.2	0%	12.7	13.0	(2%)
Property, marketing and administration	3.5	3.5	0%	10.4	10.6	(2%)
EBITDA	\$ 4.3	\$ 3.8	13%	\$ 9.1	\$ 8.5	7%

Human resources as a % of Revenues

before Promotional allowances **33.3%** 34.4% **37.5%** 38.3%

EBITDA as a % of Revenues **35.8%** 33.0% **28.3%** 26.5%

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Average
Table Drop	\$ 11.4	\$ 11.8	\$ 10.0	\$ 11.5	\$ 12.1	\$ 12.0	\$ 11.4	\$ 11.9	\$ 12.1	
Table Hold	\$ 2.4	\$ 2.3	\$ 2.1	\$ 2.2	\$ 2.5	\$ 1.9	\$ 2.2	\$ 2.4	\$ 2.2	
Table Hold %	21.1%	19.5%	21.0%	19.1%	20.7%	15.8%	19.3%	20.2%	18.2%	19.4%
Poker Rake	\$ 0.6	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.5	
Slot Coin-In	\$ 231.2	\$ 205.2	\$ 181.6	\$ 200.2	\$ 240.5	\$ 214.6	\$ 209.6	\$ 209.6	\$ 246.4	
Slot Win	\$ 18.5	\$ 16.2	\$ 14.4	\$ 15.6	\$ 18.6	\$ 16.8	\$ 15.6	\$ 15.8	\$ 18.8	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 225	\$ 198	\$ 176	\$ 190	\$ 226	\$ 204	\$ 188	\$ 202	\$ 240	
Slot Win %	8.0%	7.9%	7.9%	7.8%	7.7%	7.8%	7.4%	7.5%	7.6%	7.8%

<sup>(1)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Revenues at the Nova Scotia Casinos increased by 4% in the third quarter of 2011, when compared to the third quarter of 2010. This increase was due to the impact of additional entertainment offerings at Casino Halifax during the third quarter of 2010. These entertainment offerings, the costs of which reduced associated ticket revenues, were temporarily implemented as a response to the May 2010 opening of a new gaming facility in New Brunswick.

Revenues in the first nine months of 2011 were relatively consistent with the first nine months of 2010. Revenues were impacted by inclement weather, which required two property closures during the first quarter of 2011, and the presence of the Canada Games during February 2011, which significantly decreased both visitation and hospitality volumes at the Company's Casino Nova Scotia Halifax. The lower revenues in the first half of 2011 were offset by improvements in hospitality revenues in the third quarter of 2011.

#### Expenses

Human resources expenses in the third quarter of 2011 were consistent with the third quarter of 2010. Human resources expenses decreased by 2% in the first nine months of 2011, when compared to the first nine months of 2010. This decrease was primarily due to severance costs associated with management changes at the Nova Scotia Casinos during the second quarter of 2010.

#### EBITDA

EBITDA increased by 13% in the third quarter of 2011, when compared to the third quarter of 2010. This increase was primarily due to higher revenues. EBITDA increased by 7% in the first nine months of 2011, when compared to the first nine months of 2010. This increase was primarily due to expense reductions.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### Great American Casinos

##### Results in U.S. Dollars

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 4.6	\$ 4.6	0%	\$ 14.9	\$ 13.9	7%
Hospitality and other revenues	1.2	1.0	20%	3.5	3.2	9%
Revenues before Promotional allowances	5.8	5.6	4%	18.4	17.1	8%
Less: Promotional allowances	(0.4)	(0.4)	0%	(1.2)	(1.0)	20%
Revenues	5.4	5.2	4%	17.2	16.1	7%
Human resources	3.1	3.1	0%	9.3	9.5	(2%)
Property, marketing and administration	1.5	1.3	15%	4.4	4.3	2%
EBITDA	\$ 0.8	\$ 0.8	0%	\$ 3.5	\$ 2.3	52%
Human resources as a % of Revenues before Promotional allowances	53.4%	55.4%		50.5%	55.6%	
EBITDA as a % of Revenues	14.8%	15.4%		20.3%	14.3%	

(in U.S. dollars)	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Average
Table Drop	\$ 31.7	\$ 31.6	\$ 31.2	\$ 31.1	\$ 33.7	\$ 28.0	\$ 25.6	\$ 27.2	\$ 25.9	
Table Hold	\$ 5.2	\$ 5.8	\$ 5.9	\$ 5.4	\$ 5.3	\$ 4.6	\$ 5.8	\$ 5.5	\$ 5.1	
Table Hold %	16.4%	18.4%	18.9%	17.4%	15.7%	16.4%	22.7%	20.2%	19.7%	18.3%
Poker Rake	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ -	

##### Results in Canadian Dollars

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	\$ 5.3	\$ 5.5	(4%)	\$ 16.9	\$ 16.6	2%
EBITDA	\$ 0.8	\$ 0.9	(11%)	\$ 3.5	\$ 2.3	52%

##### Discussion in U.S. Dollars

###### Revenues

Revenues at the Great American Casinos increased by 4% in the third quarter of 2011, when compared to the third quarter of 2010. This increase was primarily due to improvements in hospitality revenues. Revenues increased by 7% in the first nine months of 2011, when compared to the first nine months of 2010. This increase was primarily due to an 8% improvement in table drop.

###### Expenses

Human resources expenses in both the third quarter and first nine months of 2011 were relatively consistent with the same periods in 2010.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

#### EBITDA

Great American Casinos' EBITDA in the third quarter of 2011 was consistent with the third quarter of 2010. EBITDA increased by 52% in the first nine months of 2011, when compared to the first nine months of 2010. This increase was primarily due to revenue increases.

The decreasing value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affected the reported results of the Great American Casinos. The average value of the U.S. dollar decreased 4% against the Canadian dollar during the third quarter of 2011 and 5% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### Racinos

#### **BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and TBC Teletheatre B.C.<sup>(1)</sup>)**

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 5.0	\$ 4.9	2%	\$ 14.6	\$ 13.9	5%
Facility Development Commission	0.9	1.0	(10%)	2.4	2.6	(8%)
Racetrack revenues	3.9	3.9	0%	11.4	13.9	(18%)
Hospitality and other revenues	2.2	2.1	5%	5.4	5.3	2%
Revenues before Promotional allowances	12.0	11.9	1%	33.8	35.7	(5%)
Less: Promotional allowances	(0.5)	(0.4)	25%	(1.3)	(1.0)	30%
Revenues	11.5	11.5	0%	32.5	34.7	(6%)
Human resources	4.8	4.6	4%	13.5	13.9	(3%)
Property, marketing and administration	3.5	3.5	0%	10.4	11.7	(11%)
EBITDA	\$ 3.2	\$ 3.4	(6%)	\$ 8.6	\$ 9.1	(5%)

Human resources as a % of Revenues

before Promotional allowances

40.0% 38.7%

39.9% 38.9%

EBITDA as a % of Revenues

27.8% 29.6%

26.5% 26.2%

<sup>(1)</sup> On April 1, 2010, the Company's control over TBC was reduced to significant influence so it ceased consolidating TBC from that date.

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Average
Table Drop	\$ 6.5	\$ 6.1	\$ 7.0	\$ 7.3	\$ 6.4	\$ 7.0	\$ 6.8	\$ 7.4	\$ 6.0	
Table Hold	\$ 1.5	\$ 1.3	\$ 1.3	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.4	\$ 1.5	\$ 1.2	
Table Hold %	23.1%	21.3%	18.6%	20.5%	21.9%	18.6%	20.6%	20.3%	20.0%	20.5%
Slot Coin-In	\$ 241.8	\$ 228.4	\$ 219.0	\$ 218.7	\$ 222.2	\$ 225.4	\$ 196.3	\$ 217.4	\$ 234.6	
Slot Win	\$ 18.4	\$ 17.8	\$ 17.2	\$ 17.2	\$ 17.8	\$ 17.4	\$ 15.4	\$ 17.6	\$ 18.8	
Slot Win/Slot/Day <sup>(2)</sup>	\$ 189	\$ 185	\$ 179	\$ 176	\$ 184	\$ 180	\$ 164	\$ 184	\$ 197	
Slot Win %	7.6%	7.8%	7.9%	7.9%	8.0%	7.7%	7.8%	8.1%	8.0%	7.9%

<sup>(2)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Gaming revenues at the BC Racinos in the third quarter of 2011 were relatively consistent with the same period in 2010. Gaming revenues increased by 5% in the first nine months of 2011, when compared to the first nine months of 2010. This increase was primarily due to a full three months of operation at Hastings Racecourse during the first quarter of 2011. This facility was impacted by a mandatory closure in February 2010 due to the Winter Olympics.

Facility Development Commission revenues decreased by \$0.1 in the third quarter and \$0.2 in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These decreases were primarily due to the reduced remaining approved accelerated FDC eligible expenditures at Fraser Downs Racetrack and Casino. During the third quarter of 2011, approximately \$0.2 of the Facility Development Commission revenues were related to accelerated FDC eligible expenditures incurred in a prior quarter but approved by BCLC during the quarter.

In the third quarter of 2011, racetrack revenues were consistent with the same period in 2010. In the first nine months of 2011, racetrack revenues decreased by 18%, when compared to the first nine months of 2010. This decline was primarily due to an ongoing, industry-wide decline in horse race wagering and the deconsolidation of TBC in April of 2010, as described in the 'Other Financial Information' section of this MD&A.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

#### Expenses

Human resources expenses and property, marketing and administration expenses in the third quarter of 2011 were relatively consistent with the third quarter of 2010. Human resources expenses and property, marketing and administration expenses decreased by 3% and 11%, respectively, in the first nine months of 2011, when compared to the first nine months of 2010. These decreases were primarily due to the deconsolidation of TBC.

#### EBITDA

EBITDA in the third quarter of 2011 was relatively consistent with the third quarter of 2010. EBITDA decreased by 5% in the first nine months of 2011, when compared to the first nine months of 2010. This decline was due to the deconsolidation of TBC.

#### Labour Relations

A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse". Notice to commence collective bargaining was served on October 13, 2010. Collective bargaining for a renewal collective agreement commenced on January 20, 2011, and is ongoing.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union ("COPE"), Local 378, with a term covering August 1, 2008 through July 31, 2011, and subsequently extended by mutual agreement to July 31, 2012, governs wages and working conditions of "Employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park, except those excluded by the Code employed by Hastings Entertainment Inc."

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### Georgian Downs

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 3.4	\$ 3.5	(3%)	\$ 9.5	\$ 9.5	0%
Racetrack revenues	0.5	0.5	0%	1.3	1.3	0%
Hospitality and other revenues	0.5	0.5	0%	1.1	1.1	0%
Revenues before Promotional allowances	4.4	4.5	(2%)	11.9	11.9	0%
Less: Promotional allowances	-	-		-	-	
Revenues	4.4	4.5	(2%)	11.9	11.9	0%
Human resources	0.7	0.8	(13%)	1.9	1.9	0%
Property, marketing and administration	1.1	1.3	(15%)	3.0	3.4	(12%)
EBITDA	\$ 2.6	\$ 2.4	8%	\$ 7.0	\$ 6.6	6%
Human resources as a % of Revenues before Promotional allowances	15.9%	17.8%		16.0%	16.0%	
EBITDA as a % of Revenues	59.1%	53.3%		58.8%	55.5%	

#### Revenues

Revenues at Georgian Downs in the third quarter and first nine months of 2011 were relatively consistent with the same periods of 2010.

#### Expenses

Human resources expenses in the third quarter and first nine months of 2011 were relatively consistent with the same periods of 2010. Property, marketing and administration expenses decreased by 15% and 12% in the third quarter and first nine months of 2011, respectively, when compared to the third quarter and first nine months of 2010. These decreases were primarily due to reduced occupancy costs.

#### EBITDA

EBITDA in the third quarter and first nine months of 2011 increased by 8% and 6%, respectively, when compared to the third quarter and first nine months of 2010. This improvement was primarily due to the decrease in Georgian Downs' property, marketing and administration expenses.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### *Flamboro Downs*

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Gaming revenues	\$ 3.2	\$ 3.2	0%	\$ 9.3	\$ 9.1	2%
Racetrack revenues	0.8	0.9	(11%)	2.4	2.7	(11%)
Hospitality and other revenues	0.7	0.7	0%	2.0	2.1	(5%)
Revenues before Promotional allowances	4.7	4.8	(2%)	13.7	13.9	(1%)
Less: Promotional allowances	-	-		-	-	
Revenues	4.7	4.8	(2%)	13.7	13.9	(1%)
Human resources	1.3	1.2	8%	3.8	3.8	0%
Property, marketing and administration	1.2	1.3	(8%)	3.9	4.1	(5%)
EBITDA	\$ 2.2	\$ 2.3	(4%)	\$ 6.0	\$ 6.0	0%
Human resources as a % of Revenues before Promotional allowances	27.7%	25.0%		27.7%	27.3%	
EBITDA as a % of Revenues	46.8%	47.9%		43.8%	43.2%	

#### Revenues and EBITDA

Revenues and EBITDA at Flamboro Downs in the third quarter and first nine months of 2011 were relatively consistent with the same periods in 2010.

#### Labour Relations

A collective agreement between Flamboro Downs Limited and Service Employees International Union ("SEIU"), Local 2, governs wages and working conditions of employees in the Mutuels, Maintenance & Janitorial, Security, Food & Beverage departments. A new collective agreement with a three-year term covering January 1, 2011 through December 31, 2013 was ratified by both parties on November 3, 2011.



## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

#### *Corporate & Other* <sup>(1)</sup>

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Revenues	\$ -	\$ 0.4	(100%)	\$ 0.1	\$ 0.4	(75%)
Human resources	3.6	3.8	(5%)	10.5	11.5	(9%)
Property, marketing and administration	1.8	1.5	20%	5.6	4.6	22%
EBITDA	\$ (5.4)	\$ (4.9)	(10%)	\$ (16.0)	\$ (15.7)	(2%)

<sup>(1)</sup> The first nine months of 2011 includes a retrospective reclassification that affects EBITDA as described in the "Other Financial Information" section of this MD&A.

#### EBITDA

EBITDA decreased by 10% in the third quarter and 2% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These decreases were primarily due to business development costs of \$0.4 and \$0.9 incurred in the third quarter and first nine months of 2011, respectively.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

#### **Discussion of Items Excluded from EBITDA**

##### Amortization

Amortization increased by \$1.5 in the third quarter and \$3.5 in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to additional amortization associated with development projects completed in 2010, as well as increased amortization associated with the long-lived assets at Hastings Racecourse.

##### Stock-Based Compensation

Stock-based compensation of \$0.9 in the third quarter of 2011 is comprised of equity-settled stock-based compensation of \$0.9, and cash-settled stock-based compensation of \$nil. Stock-based compensation increased by \$0.1 in the third quarter of 2011, when compared to the third quarter of 2010. This increase was primarily due to additional stock options granted in the third quarter of 2011, and was partially offset by a lower average number of unvested stock options outstanding during the third quarter of 2011, when compared to the third quarter of 2010.

Stock-based compensation of \$4.3 in the first nine months of 2011 is comprised of equity-settled stock-based compensation of \$3.4, and cash-settled stock-based compensation of \$0.9. Stock-based compensation increased by \$0.3 in the first nine months of 2011, when compared to the first nine months of 2010. This increase was primarily due to the issuance of deferred share units in the second quarter of 2011 and additional stock options granted in the third quarter of 2011. The increase was partially offset by a lower fair value attributed to a lower number of stock options granted in the first nine months of 2011, when compared to those granted in the first nine months of 2010. Deferred share units are a form of cash-settled stock-based compensation to the Company's non-employee directors, as described in the 'Other Financial Information' section of this MD&A.

##### Restructuring and Other

Restructuring and other costs decreased by \$1.2 in the third quarter and \$1.6 in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. During the first nine months of 2011, the Company subleased some of the vacant head office space, which resulted in a reversal of \$0.4 to the uneconomic lease provision previously recognized. During the third quarter and first nine months of 2010, the Company recognized an expense for the trailing payments associated with the 2008 acquisition of Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex") as described in the "Recent Developments" section of this MD&A.

Business development costs of \$0.5 for the six months ended June 30, 2011, previously presented on the "restructuring and other" line of the consolidated statements of earnings, were reclassified to "property, marketing and administration" as described in the "Other Financial Information" section of this MD&A.

##### Impairment of Long-Lived Assets

Impairment of long-lived assets was \$nil in the third quarter and first nine months of 2011. During the third quarter and first nine months of 2010, the Company recognized an impairment of \$3.2 associated with certain business development projects and property under development that would not be reinitiated in the foreseeable future.

##### Interest and Financing Costs, net

Interest and financing costs, net of interest income, in the third quarter and first nine months of 2011 were relatively consistent, when compared to the same periods in 2010. This was primarily due to higher financing fees associated with the amended Credit Agreement, and was offset by additional interest income received from the Company's cash, cash equivalents, and short-term investments during the first nine months, as well lower interest expense in the first nine months of 2011 due to the repayment of the

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

Revolving Credit Facility borrowings in the first quarter of 2010. Interest and financing costs, net of interest income, during the first nine months of 2010 also included the discounting effect of a long-term receivable in the third quarter of 2010.

#### Other Expenses (includes "foreign exchange loss (gain) and other" and "non-controlling interests")

Other expenses increased by \$4.4 in the third quarter and \$3.7 in the first nine months of 2011, when compared to the third quarter and first nine months of 2010. These increases were primarily due to the discontinuation of hedge accounting for forty percent of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps, as described in the "Capital Resources" section of this MD&A.

#### Income Taxes

Income taxes decreased by \$0.2 in the third quarter of 2011, when compared to the third quarter of 2010. The decrease was primarily due to a corporate income tax rate that was 2.0 percentage points lower in 2011, when compared to the third quarter of 2010. Income taxes increased by \$0.4 in the first nine months of 2011, when compared to the first nine months of 2010. The increase was primarily due to \$2.7 higher earnings before income taxes in the first nine months of 2011 and was partially offset by decreases in non-deductible equity-settled stock-based compensation and the lower corporate income tax rate in 2011, when compared to the first nine months 2010.

#### Shareholders' Net Earnings

Shareholders' net earnings increased by \$1.7 in the third quarter and \$2.5 in the first nine months of 2011 when compared to the third quarter and first nine months of 2010. These increases were primarily due to improvements in EBITDA and decreases in restructuring and other expenses and impairment of long-lived assets. These improvements were partially offset by increases in foreign exchange and other expenses and amortization. The current and prior periods' shareholders' net earnings included some items of note, the after-tax effects of which are summarized in the following table:

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
<b>Shareholders' net earnings</b>	<b>\$ 7.9</b>	\$ 6.2	27%	<b>\$ 23.9</b>	\$ 21.4	12%
<b>Items of note, net of tax</b>						
Net losses related to cross-currency interest rate and principal swaps	3.7	-		3.7	-	
Revenues from River Rock's above-average table hold percentage <sup>(1)</sup>	(1.0)	-		(1.0)	-	
Restructuring and other expenses <sup>(2)</sup>	-	1.1		(0.2)	1.2	
Impairment of long-lived assets	-	2.2		-	2.2	
<b>Adjusted shareholders' net earnings <sup>(3)</sup></b>	<b>\$ 10.6</b>	\$ 9.5	12%	<b>\$ 26.4</b>	\$ 24.8	6%
<b>Adjusted shareholders' net earnings per common share <sup>(3)</sup>:</b>						
Basic	<b>\$ 0.13</b>	\$ 0.11		<b>\$ 0.32</b>	\$ 0.30	
Diluted	<b>\$ 0.13</b>	\$ 0.11		<b>\$ 0.31</b>	\$ 0.29	

<sup>(1)</sup> River Rock's table hold percentage was 1.8 percentage points above the property's trailing nine quarters average.

<sup>(2)</sup> The first nine months of 2011 includes a retrospective reclassification that affects restructuring and other costs, as described in the "Other Financial Information" section of this MD&A.

<sup>(3)</sup> A non-IFRS measure

After adjusting for the above items of note, the Company's adjusted shareholders' net earnings increased by 12% in the third quarter and 6% in the first nine months of 2011, when compared to the third quarter and first nine months of 2010.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### CONSOLIDATED QUARTERLY RESULTS TREND <sup>(1)</sup>

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009 <sup>(2)</sup>
Revenues	\$ 101.0	\$ 99.5	\$ 92.0	\$ 97.2	\$ 96.3	\$ 97.0	\$ 93.0	\$ 96.3
EBITDA	\$ 38.2	\$ 37.4	\$ 31.3	\$ 35.0	\$ 35.0	\$ 35.0	\$ 31.4	\$ 33.0
EBITDA as a % of Revenues	37.8%	37.6%	34.1%	36.0%	36.3%	36.1%	33.8%	34.3%
Shareholders' net earnings (loss):	\$ 7.9	\$ 10.3	\$ 5.7	\$ (29.5)	\$ 6.2	\$ 10.1	\$ 5.1	\$ 9.8
Shareholders' net earnings (loss) per common share:								
Basic	\$ 0.10	\$ 0.12	\$ 0.07	\$ (0.36)	\$ 0.07	\$ 0.12	\$ 0.06	\$ 0.12
Diluted	\$ 0.09	\$ 0.12	\$ 0.07	\$ (0.36)	\$ 0.07	\$ 0.12	\$ 0.06	\$ 0.12

<sup>(1)</sup> The three months ended March 31, 2011 and June 30, 2011 include a retrospective reclassification that affects EBITDA as described in the "Other Financial Information" section of this MD&A.

<sup>(2)</sup> Under Canadian GAAP

For the third quarter of 2011, the Company recorded revenues of \$101.0, a \$4.7 increase from the third quarter of 2010.

The improvement in revenues was primarily due to increases at both River Rock and the Other BC Casinos. River Rock's revenue increase was primarily due to improvements in table drop, table hold percentage, and slot coin-in at the facility. The Other BC Casinos' revenue increase was primarily due to both the introduction of slot machines at Maple Ridge Community Gaming Centre in October 2010 and the acquisition of Chilliwack Bingo in May 2011. These revenue increases were partially offset by decreased revenues at Boulevard. Boulevard's revenue decrease was primarily due to disruption caused by construction on provincial highway enhancements adjacent to that facility.

The revenue increases and the continued benefits of efficiency initiatives are reflected in the Company's EBITDA of \$38.2, an increase of \$3.2 from the third quarter of 2010.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

#### LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

As at September 30, 2011, the Company had:

- Relatively low levels of receivables of which the majority of these are due from: the Nova Scotia Gaming Corporation (a branch of that province's government) and other provincial gaming corporations, sales tax rebates from the federal government, racetrack operators, a horsemen association, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has cross-currency interest rate swaps that hedge the cash flows associated with its U.S. dollar denominated Term Loan B and Senior Subordinated Notes ("Subordinated Notes") and has relatively low levels of foreign denominated assets and liabilities;
- \$317.7 of available credit on its Revolving Credit Facility;
- Additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities and cross-currency interest rate swaps that are primarily major financial institutions that have minimum grade "A" credit ratings.

#### Financial Position

	As at September 30, 2011	As at December 31, 2010	% Chg
Cash and cash equivalents	\$ 111.1	\$ 50.9	118%
Short-term investments	-	53.0	(100%)
Other current assets	23.2	16.8	38%
Property, plant and equipment	673.7	663.0	2%
Other long-term assets	158.6	162.5	(2%)
<b>Total Assets</b>	<b>\$ 966.6</b>	<b>\$ 946.2</b>	<b>2%</b>
Current liabilities	59.7	60.8	(2%)
Long-term debt & Derivative liabilities (excluding current portion)	400.5	393.4	2%
Other long-term liabilities	88.7	90.9	(2%)
<b>Total Liabilities</b>	<b>548.9</b>	<b>545.1</b>	<b>1%</b>
Shareholders' equity	417.7	401.1	4%
<b>Total Liabilities and Shareholders' equity</b>	<b>\$ 966.6</b>	<b>\$ 946.2</b>	<b>2%</b>

#### Total Assets

Total assets increased by \$20.4 in the first nine months of 2011, primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### Total Liabilities

Total liabilities increased by \$3.8 in the first nine months of 2011, primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate swaps relating to the Term Loan B and Subordinated Notes and a decrease in current liabilities associated with the timing of income tax instalment payments.

#### Shareholders' equity

Shareholders' equity increased by \$16.6 in the first nine months of 2011 due to shareholders' net earnings of \$23.9, equity-settled stock-based compensation of \$3.4, and stock options exercised of \$1.0. These increases were partially offset by a \$1.1 decrease in accumulated other comprehensive income and \$10.6 of repurchased common shares.

#### Cash Flows

	Third Quarter			First Nine Months of		
	2011	2010	% Chg	2011	2010	% Chg
Net cash generated by operating activities	\$ 33.3	\$ 28.9	15%	\$ 89.9	\$ 88.9	1%
Cash generated by (used in) investing activities	22.0	(4.2)		7.0	(17.2)	
Cash used in financing activities	(24.1)	(10.6)	(127%)	(37.6)	(36.3)	(4%)
Effect of foreign exchange on cash and cash equivalents	0.8	(0.1)		0.9	0.2	350%
Cash Inflow	\$ 32.0	\$ 14.0	129%	\$ 60.2	\$ 35.6	69%

Net cash generated by operating activities was higher in the third quarter of 2011, when compared to the third quarter of 2010. This increase was primarily due to higher EBITDA in 2011, and was partially offset by the decrease in non-cash working capital primarily related to the payment of income tax instalments. Net cash generated by operating activities in the first nine months of 2011 was relatively consistent with the first nine months of 2010. This was primarily due to higher EBITDA in 2011, and was offset by the decrease in non-cash working capital primarily related to the payment of income tax instalments in the first nine months of 2011. For the first nine months of 2011, the Company made \$12.0 in income tax payments, an increase of \$7.5 from the first nine months 2010.

Cash generated by investing activities in the third quarter and first nine months of 2011 was primarily due to the maturity of short-term investments, and was partially offset by cash used in both the development of the third hotel tower at River Rock and the acquisition of Chilliwack Bingo. Cash used in investing activities in the third quarter and first nine months of 2010 were primarily due to both the redevelopment at Georgian Downs and property enhancements at River Rock.

Cash used in financing activities was higher in the third quarter and first nine months of 2011, when compared to the third quarter and first nine months of 2010. Cash used in financing activities in the third quarter of 2011 was primarily related to the repurchase of common shares of \$10.6, interest payments on the Company's Term Loan B and Subordinated Notes (collectively "Long-term debt") of \$10.6, and transaction costs of \$2.7 associated with the refinancing of the Revolving Credit Facility. Cash used in financing activities in the third quarter of 2010 was primarily related to interest payments on the Company's Long-term debt of \$10.2.

Cash used in financing activities in the first nine months of 2011 was primarily related to the interest payments on the Company's Long-term debt of \$23.8, the repurchase of common shares of \$10.6, and transaction costs of \$2.7 associated with the refinancing of the Revolving Credit Facility. Cash used in financing activities in the first nine months of 2010 was primarily related to interest payments on the Company's Long-term debt of \$23.8 and the repayment of borrowings on the Company's Revolving Credit Facility of \$13.5.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

#### Capital Resources

##### Long-Term Debt and Equity

	September 30, 2011	December 31, 2010
Term Loan B, net of unamortized transaction costs of \$1.2 (2010 - \$1.5)	\$ 169.0	\$ 161.2
Senior Subordinated Notes and unamortized premium of \$0.9 (2010 - \$1.1), net of unamortized transaction costs of \$2.9 (2010 - \$3.6)	176.2	166.6
	<b>345.2</b>	327.8
Less: current portion	2.0	2.0
	<b>\$ 343.2</b>	\$ 325.8

As at September 30, 2011 the Company is in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio <sup>(1)</sup>	< 5.00	2.80
Senior Debt to Adjusted EBITDA ratio <sup>(1)</sup>	< 3.50	1.37
Interest Coverage ratio <sup>(1)</sup>	> 2.25	5.08
Fixed Charge Coverage ratio <sup>(2)</sup>	> 2.00	5.21

<sup>(1)</sup> Defined in the long-term debt agreement covering the Term Loan B and Revolving Credit Facility, as amended on July 21, 2011.

<sup>(2)</sup> Defined in the long-term debt agreement covering the Senior Subordinated Notes. Tested on specified events.

The Company and its debt facilities have current independent credit ratings as follows:

	Moody's <sup>(3)</sup>	Standard & Poor's <sup>(4)</sup>
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Senior Subordinated Notes	B2	BB-

<sup>(3)</sup> On July 22, 2011, Moody's assigned a Ba2 rating to the Company's amended Credit and Guarantee agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its ratings on the Company's Corporate rating and Senior Subordinated Notes.

<sup>(4)</sup> On September 19, 2011, Standard & Poor's assigned a BBB rating to the Company's amended Credit and Guarantee agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its rating on the Company's Corporate rating. Standard & Poor's downgraded their rating on the Company's Senior Subordinated Notes from BB to BB-.

#### Cross-Currency Interest Rate and Currency Swap Agreements & Hedge Accounting

The Company entered into cross-currency interest rate and principal swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt.

On July 21, 2011, in connection with the amendment of the Company's Credit Agreement, the Company discontinued hedge accounting for forty percent of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps. Since hedge accounting no longer applied for these cash flows, a \$0.5 loss associated with changes in fair value was recognized in the

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

"foreign exchange loss (gain) and other" line of the consolidated statements of earnings during the three months ended September 30, 2011. In addition, foreign exchange losses of \$4.5 associated with the translation of the Term Loan B and Subordinated Notes long-term debt were not offset by the gains on derivatives designated as cash flow hedges during the three months ended September 30, 2011.

Cumulative losses of \$1.9 and the related deferred income tax recovery of \$0.5 included in "accumulated other comprehensive income" associated with the portions of the cross-currency interest rate and principal swaps that were discontinued from hedge accounting will be amortized in the "foreign exchange loss (gain) and other" and "income taxes" lines of the consolidated statements of earnings on a straight-line basis over the remaining lives of the underlying Term Loan B and the Subordinated Notes, respectively.

On August 4, 2011, the Company entered into novation agreements that transferred the responsibilities for forty percent of the cash flows associated with the cross-currency interest and principal swaps from a former Revolving Credit Facility lender to a continuing Revolving Credit Facility lender. As at September 30, 2011, the cross-currency interest rate and principal swap agreements were:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$ 97.4 <sup>(1)</sup>	\$ 115.1 <sup>(1)</sup>	US LIBOR+1.50%	6.1%	February 13, 2014
Term Loan B	\$ 65.0 <sup>(1)</sup>	\$ 76.7 <sup>(1)</sup>	US LIBOR+1.50%	6.7%	February 13, 2014
Subordinated Notes	\$ 102.0	\$ 120.7	7.25%	6.6%	February 15, 2015
Subordinated Notes	\$ 68.0	\$ 80.4	7.25%	7.1%	February 15, 2015

<sup>(1)</sup> The Term Loan B cross-currency interest rate swap's notional principal reduces by 0.25% of the original principal of \$170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

As at September 30, 2011, the Company's swaps associated with the Term Loan B were in a \$38.8 liability position (December 31, 2010 - \$44.7 liability) and the swaps associated with the Subordinated Notes were in a \$18.5 liability position (December 31, 2010 - \$22.9 liability). The swaps are recorded in the "derivative liabilities" line of the consolidated statements of financial position.

The Company has evaluated these cross-currency interest rate and principal swaps and assessed them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes as at September 30, 2011. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the effective portion of the change in fair values of the swaps, net of income taxes, has been recorded in Other Comprehensive Income ("OCI"), and the ineffective portion has been recorded in the "foreign exchange loss (gain) and other" expense in the consolidated statements of earnings.

During the three months and nine months ended September 30, 2011, the Company transferred gains on derivatives designated as cash flow hedges from OCI to "foreign exchange loss (gain) and other expenses" of \$23.2 and \$13.4, net of income taxes of \$6.2 and \$3.6, respectively. The Company also recognized a gain of \$0.7 in the "foreign exchange loss (gain) and other" expense related to its cross-currency interest rate and principal swaps.



## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

The fair values of the Company's cross-currency interest rate and principal swaps at September 30, 2011 and December 31, 2010 were determined based on a credit risk adjusted discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at the respective period ends. The credit risk associated with these cross-currency interest rate swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

#### *Outstanding Share Data*

As at September 30, 2011 there were 81,750,393 common shares issued and outstanding compared to 82,872,319 as at December 31, 2010. As at September 30, 2011, there were 6,684,919 stock options outstanding at a weighted average exercise price of \$6.79.

As at November 9, 2011, there were 82,111,533 common shares outstanding and 6,323,779 stock options outstanding.

#### **Capital Spending and Development**

The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the FDC program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of gross gaming win from casinos, racetracks and community gaming centres. In addition, the BCLC introduced an accelerated FDC program in 2006 that provides an additional 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos facilities are reimbursed by the Nova Scotia Gaming Corporation ("NSGC") from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos with a minimum contribution of approximately \$5.0 per year adjusted for inflation since April 2010. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

During the third quarter and first nine months of 2011, the Company's capital expenditures net of related accounts payable totalled \$10.9 and \$34.3. Maintenance capital expenditures primarily related to various property upgrades and information technology. Development capital expenditures during the third quarter and first nine months of 2011 were primarily related to the third hotel tower at River Rock and the planned Chilliwack Community Gaming Centre. For the remaining three months of 2011, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately \$8 and \$4, respectively.

The following table summarizes the changes in the Company's Approved Amounts (a term defined in the Company's operating service agreements with the BCLC) to be recovered by future FDC receipts from BCLC:

	2011	2010
Opening Approved Amounts at January 1,	\$ 445.1	\$ 385.7
Additional Approved Amounts	3.3	10.5
FDC receipts	(23.9)	(22.2)
Closing Approved Amounts at September 30,	\$ 424.5	\$ 374.0

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

The differences between the FDC Approved Amounts and the additions to property, plant and equipment is primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

#### **Contingencies**

We have issued letters of credit to guarantee performance, primarily under construction contracts, gaming cash floats and service commitments in the aggregate amount of \$32.3 at September 30, 2011 (December 31, 2010 - \$37.3).

#### **Litigation**

There are no litigation status updates to report on prior claims and no new material litigation claims in the first nine months of 2011.

#### **Guarantees and Indemnifications**

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

#### **Commitments**

There were no material changes outside of the Company's ordinary course of business that affected the Company's contractual obligations for the first nine months of 2011.

#### **Future Cash Requirements**

We believe that our current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

#### **OTHER FINANCIAL INFORMATION**

##### **Deconsolidation of TBC Teletheatre B.C.**

In April 2010, there was a change in accounting for the Company's 50% ownership investment in TBC Teletheatre B.C. ("TBC"). Prior to April 2010, the Company effectively controlled TBC and fully consolidated it. In April 2010, the Company signed a Memorandum of Agreement and related Addendum with the B.C. Horse Racing Industry (the "BC Horse Racing Industry Agreement") in order to support efforts to revitalize and restore financial strength to British Columbia's horseracing industry. On signing the BC Horse Racing Industry Agreement, the Company deconsolidated TBC, and accounts for its 50% ownership investment using the equity method since the Company has significant influence over TBC. The equity method results in this investment being presented within the "other assets" line of the consolidated statements of financial position, and that investment balance is increased by TBC's periodic net earnings and decreased by any partnership distributions that are received. The Company's share of TBC's net earnings is recorded within the "other expenses" line of this MD&A.

##### **Deferred Share Unit ("DSU") and Restricted Share Unit ("RSU") Plan**

On June 16, 2011, the Board of Directors approved the Non-Employee Directors' Cash-Settled Deferred Share Unit and Restricted Share Unit Plan ("the Share Unit Plan"). Non-employee directors who are eligible to receive DSUs under the Share Unit Plan are no longer eligible to receive stock options under the Company's Stock Option Plan. In addition, non-employee directors have the option to transfer some or all of their annual retainers and attendance fees into RSUs.

Cash-settled stock-based compensation such as DSUs and RSUs, which vest immediately, are recognized as a liability at the grant date based on the market value of the Company's common shares, and are subsequently re-measured at each reporting period and at the redemption date, with any changes in fair value recognized in the "stock-based compensation" line of the consolidated statements of earnings. The DSUs are settled within the calendar year following the year that the unit holder ceases to be a director. The RSUs are settled three years after the grant date.

##### **Business Development Costs**

Business development costs previously presented on the "restructuring and other" line of the consolidated statements of earnings of \$0.1 for the three months ended March 31, 2011 and \$0.4 for the three months ended June 30, 2011, have been retrospectively reclassified to "property, marketing and administration". This reclassification resulted in a corresponding decrease in EBITDA, and had no impact on net earnings or shareholders' equity for the three months ended March 31, 2011 and June 30, 2011.

In light of the Company's expectations to continue its business development activities, this revised presentation will provide more meaningful information on the operating and financial performance of the Company.

##### **Recent Accounting Pronouncements**

The IASB issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's condensed consolidated financial statements:

- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's consolidated financial statements. Effective for annual periods beginning on or after July 1, 2011.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

- *IAS 12, Income Taxes* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes. Effective for annual periods beginning on or after January 1, 2012.
- *IAS 1, Presentation of Financial Statements ("IAS 1")* – amended to require the grouping of other comprehensive income ("OCI") into two components: items that might be reclassified to net earnings in subsequent periods, and items that will not be reclassified into net earnings in subsequent periods. Effective for annual periods beginning on or after July 1, 2012.
- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures. Effective for annual periods beginning on or after January 1, 2013.
- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Effective for annual periods beginning on or after January 1, 2013.
- *IFRS 9, Financial Instruments ("IFRS 9")* – replaces IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39"). IFRS 9 uses a single model approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification and measurement models in IAS 39. On August 4, 2011, the IASB issued an exposure draft proposing to delay the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 to January 1, 2015.

The IASB also issued the following new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities:

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.
- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.
- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.
- *IAS 27 (2011), Separate Financial Statements ("IAS 27 (2011)")* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.
- *IAS 28, Investments in Associates and Joint Ventures (2011)* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

These five standards must be adopted concurrently and are effective for annual periods beginning on or after January 1, 2013.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

#### **Transition to International Financial Reporting Standards**

The Company adopted IFRS effective January 1, 2011 and has prepared unaudited condensed consolidated financial statements for the nine month period ended September 30, 2011. The Company's new IFRS policies are disclosed in Note 2 of the Company's condensed consolidated financial statements for the three months ended March 31, 2011 and the new accounting policy described in Note 2 of the Condensed Financial Statements. Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's financial statements for the year ending December 31, 2011 will be its first annual financial statements in accordance with IFRS.

IFRS employs a conceptual framework that is similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the consolidated statements of financial position and consolidated statements of earnings of the Company.

In order to allow the users of the financial statements to better understand these changes, the Company has prepared reconciliations between Canadian GAAP and IFRS in Note 23 to the Condensed Financial Statements. In preparing the reconciliations, the Company applied the principles, elections, and exemption of IFRS 1, *First Time Adoption of International Accounting Standards*, ("IFRS 1") with a transition date of January 1, 2010.

The transition to IFRS did not materially affect the manner in which the Company's revenues and EBITDA are currently recognized and measured.

#### **Critical Accounting Estimates and Judgments**

The Company's reported financial position and results of operations are dependent on our selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of our Condensed Financial Statements. The Company's Condensed Financial Statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Condensed Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The critical accounting estimates and judgments that we believe are the most judgmental or are material to the Company's Condensed Financial Statements are those relating to the impairment of long-lived assets and goodwill, estimated useful lives of long-lived assets, the fair value of net assets acquired in business combinations, the fair value of assets acquired in business transactions with non-monetary consideration, equity-settled stock-based compensation, income taxes, contingencies, hedge accounting, and control over a subsidiary. The Company's critical accounting estimates and judgments are further detailed in Note 3 of the Company's Condensed Financial Statements.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011  
(Expressed in millions of Canadian dollars, except for per share information)

---

#### **Financial Instruments and Other Instruments**

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to foreign currency and floating interest rate risk are the Term Loan B, the Subordinated Notes, and the Revolving Credit Facility.

The Company entered into a series of cross-currency interest rate swaps to hedge the currency and interest rate risks associated with the Term Loan B and the Subordinated Notes. Refer to the "Capital Resources" section of this MD&A for information on the Company's long-term debt and the hedging activities used to manage the foreign currency and interest rate risks associated therewith.

#### **Definitions of Other Terms Used in the MD&A**

Gross gaming win – the amount wagered on gaming activities, less the payout or prizes to winning customers.

Racebook – an off-racetrack wagering facility.

Revenues – means the sum of the following:

- Casino gaming in BC – gaming revenues are net of commissions paid to BCLC (commissions are 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.
- Bingo and slots at a community gaming centre in BC – gaming revenues are net of commissions paid to BCLC (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.
- Horseracing in BC and Ontario – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.
- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – gaming revenues are approximately equal to 52.725% of the gross gaming win.
- Slot commissions in Ontario – slot machine commissions represent 10% of the gross gaming win from slot machines, all of which are operated by OLG.
- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). Specifically, BCLC's program permits a 3% FDC commission on gross gaming win from casinos, racetracks and community gaming centres and provides an additional, accelerated 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

---

- Hospitality and other revenues:
  - Food and beverage revenues – revenues are recorded at the retail price at the time of service. Food and beverage revenues in Nova Scotia are generally recorded at retail price less the 47.275% revenue retained by the NSGC.
  - Hotel revenues – revenues are recognized as services are performed.
  - Other revenues – ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.
- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality and other revenues, are deducted.

#### **Additional Information**

Additional information relating to the Company, including the Company's latest Interim Financial Statements, Annual Financial Statements, and Annual Information Form, can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.gcgaming.com](http://www.gcgaming.com).

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

For the Three Month and Nine Month Periods Ended September 30, 2011

(Expressed in millions of Canadian dollars, except for per share information)

#### SUPPLEMENTAL FINANCIAL INFORMATION

##### Consolidated Quarterly Results Trend <sup>(1)</sup>

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
<b>Gaming Revenues</b>					
River Rock Casino Resort	\$ 24.6	\$ 24.9	\$ 22.3	\$ 22.7	\$ 21.2
Boulevard Casino	11.3	11.2	10.9	11.3	11.7
Vancouver Island Casinos	8.0	8.0	7.7	8.1	8.3
Other BC Casinos	2.4	2.0	1.8	1.8	1.2
Nova Scotia Casinos	11.3	10.0	9.1	9.5	11.2
Great American Casinos	4.5	5.0	5.1	4.8	4.8
BC Racinos	5.0	4.8	4.8	4.8	4.9
Georgian Downs	3.4	3.2	2.9	3.1	3.5
Flamboro Downs	3.2	3.2	2.9	3.0	3.2
Corporate & Other	-	-	-	-	0.3
	<b>73.7</b>	<b>72.3</b>	<b>67.5</b>	<b>69.1</b>	<b>70.3</b>
<b>Facility Development Commission</b>					
River Rock Casino Resort	3.7	3.7	3.2	3.3	3.1
Boulevard Casino	1.8	1.8	1.8	1.9	2.0
Vancouver Island Casinos	1.3	1.3	1.2	1.3	1.3
Other BC Casinos	0.4	0.4	0.5	0.7	0.1
BC Racinos	0.9	0.7	0.8	0.9	1.0
	<b>8.1</b>	<b>7.9</b>	<b>7.5</b>	<b>8.1</b>	<b>7.5</b>
<b>Hospitality and Other Revenues</b>					
River Rock Casino Resort	8.5	8.9	8.1	8.8	7.9
Boulevard Casino	2.1	2.2	2.1	2.6	2.1
Vancouver Island Casinos	1.0	1.0	0.9	0.9	0.8
Other BC Casinos	0.4	0.4	0.4	0.4	0.3
Nova Scotia Casinos	1.3	1.1	1.0	1.5	1.0
Great American Casinos	1.2	1.1	1.2	1.1	1.1
BC Racinos	2.2	1.9	1.2	1.4	2.1
Georgian Downs	0.5	0.5	0.2	0.6	0.5
Flamboro Downs	0.7	0.7	0.6	0.7	0.7
Corporate & Other	-	0.1	-	-	0.1
	<b>17.9</b>	<b>17.9</b>	<b>15.7</b>	<b>18.0</b>	<b>16.6</b>
<b>Racetrack Revenues</b>					
BC Racinos	3.9	4.0	3.4	4.2	3.9
Georgian Downs	0.5	0.5	0.4	0.4	0.5
Flamboro Downs	0.8	0.8	0.8	0.8	0.9
	<b>5.2</b>	<b>5.3</b>	<b>4.6</b>	<b>5.4</b>	<b>5.3</b>
Promotional Allowances	(3.9)	(3.9)	(3.3)	(3.4)	(3.4)
<b>Revenues</b>	<b>\$ 101.0</b>	<b>\$ 99.5</b>	<b>\$ 92.0</b>	<b>\$ 97.2</b>	<b>\$ 96.3</b>
<b>EBITDA</b>					
River Rock Casino Resort	\$ 17.8	\$ 18.3	\$ 15.0	\$ 15.3	\$ 13.9
Boulevard Casino	5.9	5.9	6.0	6.1	6.6
Vancouver Island Casinos	5.6	5.7	5.3	5.6	6.0
Other BC Casinos	1.2	1.3	1.1	1.5	0.6
Nova Scotia Casinos	4.3	2.8	1.9	2.6	3.8
Great American Casinos	0.8	1.2	1.5	1.4	0.9
BC Racinos	3.2	2.7	2.6	4.0	3.4
Georgian Downs	2.6	2.4	2.1	2.1	2.4
Flamboro Downs	2.2	2.1	1.6	1.8	2.3
Corporate & Other	(5.4)	(5.0)	(5.8)	(5.4)	(4.9)
	<b>\$ 38.2</b>	<b>\$ 37.4</b>	<b>\$ 31.3</b>	<b>\$ 35.0</b>	<b>\$ 35.0</b>

(1) The three months ended March 31, 2011 and June 30, 2011 include a retrospective reclassification that affects EBITDA as described in the "Other Financial Information" section of this MD&A.